



**Conselho das
Finanças
Públicas**

SOCIAL SECURITY AND CGA BUDGET OUTTURN IN 2023

EXECUTIVE SUMMARY

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Social Security budget execution in 2023

In 2023, the Social Security system achieved its highest budget surplus since at least 2010, reaching an amount of 5485 million €, excluding the impact of transactions relating to the European Social Fund (ESF) and the Fund for European Aid to the Most Deprived (FEAD). This result shows an improvement of 1424 million € compared to 2022, due to the fact that the increase in actual revenue of 2995 million € exceeded the increase in actual expenditure (1572 million €). Excluding the effect of the RRP would also result in a slightly lower balance, totalling 5449 million €. An analysis by system shows, as in previous years, that the budget surplus is explained by the contribution of the Insurance and Capitalization Social Security System, which recorded a surplus of 5484 million €, while the Social Protection System of Citizenship was close to a balanced budget.

The Social Security fiscal position in 2023 still incorporates some effects of measures adopted in previous years. In particular, there were measures implemented in the context of the geopolitical shock, which totalled 863.3 million €. Since the corresponding financing has not been identified, it is not possible to properly calculate their impact on the balance. As for the measures implemented under COVID-19, their impact was residual at 5.7 million €.

Effective Social Security revenue, adjusted for the ESF and FEAD, rose by 8.7% compared to the previous year. The evolution of effective revenue was essentially determined by the social contributions item (+12.5%), which reflected the growth in salaries declared to Social Security and net job creation, due to a favourable macroeconomic environment, as well as the increase in the Guaranteed Minimum Monthly Wage (GMMW) by 55€, from 705€ in 2022 to 760€ in 2023, broadening the contributory base.

Excluding the effects mentioned above, effective expenditure increased by 5.2% compared to 2022. This reflects the increase in pension expenditure (4.2%) – which incorporates the update at the beginning of the year, as well as the mid-term update of disability, old age and survivors' pensions that took place in July, which aimed to recover pensioners' purchasing power in relation to the value of inflation recorded in 2022 –, social action expenditure, child benefit costs, the social benefit for inclusion and its complement and other

benefits, which are part of the set of measures to mitigate the geopolitical shock.

Lastly, it is worth highlighting the evolution of extraordinary updates to pensions and supplements, whose weight in actual expenditure has been increasing since the first allocation in 2017 (77 million €), reaching 935 million € in 2023.

Despite the surplus in the budget balance, the deviations from the initial Social Security Budget for 2023, on both the revenue and expenditure sides, do not show a budgeting process in line with the best public financial management practices, with interim increases in expenditure decided after the budget has been approved.

Civil Servants pension scheme budget execution in 2023

In 2023, Civil Servants Pension Scheme (CGA) recorded a surplus budget balance of 2713 M€, on a cash basis. This result is influenced by the 3018 million € cash inflow compensation for the liabilities transferred from the extinct Caixa Geral de Depósitos Staff Pension Fund (FPCGD). However, adjusting for the effect of this extraordinary revenue, the CGA balance was negative by 305 million €, having worsened compared to the deficit of 196 million € recorded in 2022, reflecting lower adjusted revenue growth (3.7%) compared to expenditure growth (4.6%).

CGA's actual revenue totalled 14 020 million € and increased by 3408 million €, influenced by the above-mentioned inflow of 3018 million €. Excluding this extraordinary inflow, the increase in CGA's effective revenue was 390 million €, driven by the increase in the State Budget contribution to ensure CGA's financial balance (+663 million €; the biggest increase since 2015). Contributions received by CGA increased by 43 million € (or 1.1%), to which the growth in the wage bill subject to deductions contributed (+2.2%), despite the fact that the average number of CGA subscribers fell by 3.1%.

CGA's actual expenditure totalled 11 307 million € in 2023, 499 million € above the previous year. This increase was mainly due to expenditure on pensions and allowances (+475 million €). In the case of expenditure on pensions and allowances for which CGA is responsible, the increase totalled 784 million €, as a result of the increase in the average number of pensioners, and also in the average of monthly retirement pensions (which rose from 1375 € in 2022 to 1495 € in 2023), which incorporated the double update (regular and interim) of pensions in 2023.

The unfavourable gap between the number of retirees and contributors increased again, with the ratio of active to inactive at the end of 2023 standing at 0.78 active contributors for each retiree, compared to 0.80 at the end of 2022. Since the end of 2015, the universe of contributors has fallen at an average annual rate of 2.7%,

while the universe of retirees has practically stabilised. This evolution is determined by the fact that the CGA scheme has been closed to new contributors since January 1st 2006.

Compared to the SB/2023 forecast, the budget surplus recorded by CGA was 2839 million € higher. The SB/2023 predicted that CGA would show a deficit of 126 million € because there were no plans to transfer the liabilities held by the FPCGD and the corresponding amount to cover them. Excluding this extraordinary inflow, the balance shows an unfavourable deviation of 180 million €, resulting from the combined effect of a higher adjusted revenue by 4 million € than forecast with expenditure exceeding the initial forecast by 184 million €, mainly due to the interim increase in pensions, which was also decided after the budget was approved.